1991 ANNUAL REPORT

GENERAL INSURANCE OPERATIONS

92-05582/

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About our name

On January 1, 1991, SGI began using the registered trademark SGI CANADA to distinguish its competitive general business from the compulsory auto insurance program administered by SGI's Auto Fund.

The name SGI CANADA was carefully chosen to signify both SGI's tradition of quality general insurance products and excellent customer service, and its commitment to continued growth and success.

Regina, Saskatchewan
March, 1992

To Her Honour,
The Honourable Sylvia Fedoruk,
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the annual report of Saskatchewan Government Insurance for the year ended December 31, 1991, including the financial statements in the form required by the Treasury Board and in accordance with the Saskatchewan Government Insurance Act.

I have the honour to be, Madam,

Your obedient Servant,

Dwain Lingenfelter

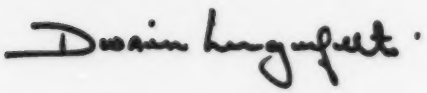
Dwain Lingenfelter
Minister Responsible for
Saskatchewan Government Insurance

Chairman's Letter

I would like to congratulate SGI CANADA staff and brokers on another successful year. 1991 saw some changes at SGI, with the election of a new government and appointment of an interim Board of Directors and Acting President. But the transition was managed skillfully, without disruption in SGI CANADA's service to the people of Saskatchewan.

At year-end, SGI's Board of Directors consisted of three Cabinet Ministers and myself. In February, 1992, we appointed a new Board, consisting of eight people from around the province who will bring their ideas and insights to bear on SGI's future. I look forward to their contribution.

SGI CANADA has proven its strength as a general insurance company in Saskatchewan. With its record of success, and the knowledge and experience of our management team, I fully believe that this success will continue.



Honourable Dwain Lingenfelter
Chairman

Board of Directors

Honourable Dwain Lingenfelter, Chairman
Honourable Berny Wiens, Vice Chairman
Honourable Carol Teichrob
Honourable John Penner

PRESIDENT'S LETTER

In 1991, SGI CANADA staff and brokers continued their hard work, and their efforts are reflected in our profit of $15.5 million. We are particularly proud of our underwriting profit, especially when compared to the Canadian insurance industry's projected underwriting loss for 1991. I would like to thank everyone for their invaluable contributions to our success.

I believe we can attribute our success to two things: our products and our service. We have excellent products, backed by highly efficient customer service. These two factors are keys to our past success, and provide a strong foundation on which to build our future and remain profitable.

There are many opportunities on the horizon for SGI CANADA. We can look forward to them with optimism and certainty, confident in the ability of our staff and brokers to continue to deliver the quality insurance products and services that our customers expect from SGI CANADA.

Bill Heidt
President

Vice Presidents

Alan Cockman
Vice President
Motor Vehicle Division

Larry Fogg
Vice President
Underwriting

Grant Gibson
Vice President
Systems

Randy Heise
Vice President
Finance and Administration

Bob Warren
Vice President
Claims

Assistant Vice Presidents

Andy Forgie
Corporate Services

George Germaine
Salvage Operations

Dave Hick
Motor Vehicle Division

Paul Landry
Traffic Safety Services

Ken Lerner
Litigation and Legal Affairs

Ron Love
Claims

Gerry Marsden
Reinsurance

Ron McGrath
Data Centre

Chet Niemczyk
Systems Integration

Arun Patel
Human Resources

Jim Roberts
Personal Lines

Jon Schubert
Claims

Bob Strang
Commercial Lines

Fred Urschel
Agency Relations

Sherry Wolf
Communications

Corporate Profile

At SGI CANADA, we realize the importance of home, farm, business and property in the lives of the people we insure. We also realize the devastation that a loss of any of these things can cause. That's why we employ a team of 1,234 insurance professionals and 382 independent brokers to deal with every aspect of insurance, from developing and selling policies to settling claims.

SGI CANADA's product line includes home, tenant, farm and auto extension insurance, and a wide range of commercial coverages. Our underwriting and research staff, working closely with our independent insurance brokers, design and enhance SGI CANADA products to meet our customers' varied and changing needs.

Our Claims staff, working in 19 claims centres in 13 Saskatchewan towns and cities, settle claims quickly and fairly. Because it's not always possible for people to come to us, our road adjusters visit claimants in outlying communities and rural areas, offering the same level of convenience and service we give our urban customers.

◀ *More than 500 SGI CANADA staff, including Programmers Sherry Lalonde and Ken Wong, took part in training courses in 1991.*
◀ *Autobody Repair Technician Ken Fahlman teaches a Claims course on Auto Damage Appraisal.*

SGI CANADA employees in other departments provide the support services needed to deliver our products and services efficiently. For example, Human Resources and Claims staff conduct annual training programs on topics such as enhancing customer service, legal procedures in insurance claims, and vehicle appraisal and repair. Systems professionals develop and implement new technologies, such as voice response telephone messaging, to help increase the speed and efficiency with which we deliver our services.

These are only a few of the departments that keep SGI CANADA running efficiently and competitively, but the contribution made by every individual is vital to our success. We all strive for one thing: to provide the best in insurance products and services to our customers. With that common goal in mind, we work together to get the job done.

...comprehensive ...state training is ...the most ...important services ...CANADA offers its ...employees. Quality ...Assurance Manager ...Hamelluck is one ...knowledgeable ...instructors here ...teaching a course on ...documentation

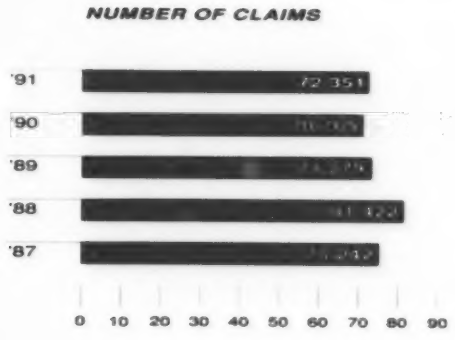
FINANCIAL HIGHLIGHTS

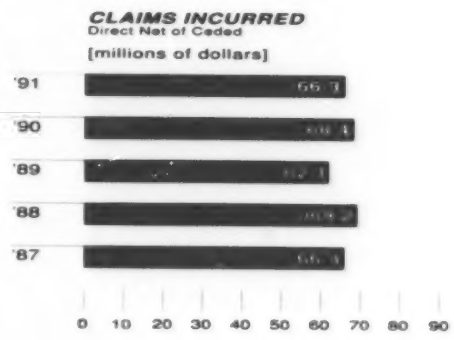
With 1991's year-end results, SGI CANADA marks six straight years of profitable operation. We recorded a profit of $15.5 million in 1991, up from 1990's showing of $11.6 million.

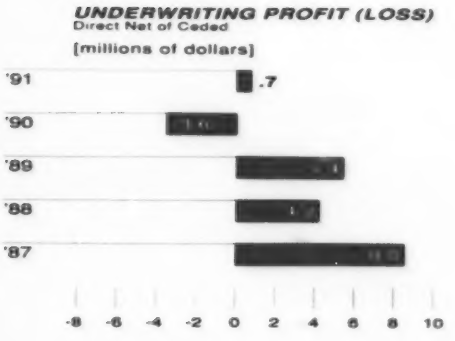
Thanks to sound underwriting practices and effective cost control, SGI CANADA achieved an underwriting profit (simply put, when premiums exceed expenses) of $740,000. That's a particularly noteworthy accomplishment for a year in which the Canadian insurance industry expects a sizeable underwriting loss.

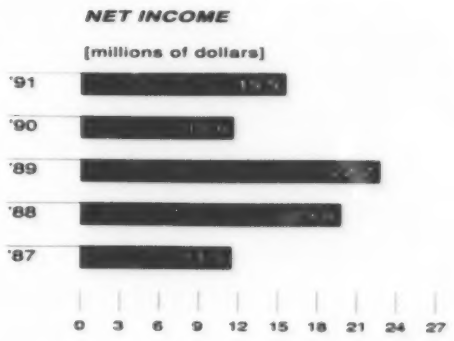
Our personal lines policy count dropped somewhat in 1991 after we combined our Non-Owned Driver's policy with our Auto Pak, but the number of vehicles we insure under Auto Pak increased. In commercial lines, policy count rose slightly. Premiums written in 1991 totalled $114.2 million, up from $111.7 million in 1990.

Claims volume increased to 72,351 in 1991—up from 70,765 in 1990—largely because of damage caused by summer storms. However, claims incurred dropped from $68.4 million in 1990 to $66.3 million in 1991, mainly due to a lower average cost per claim.









CUSTOMER-ORIENTED PRODUCTS

Excellent customer service is the driving force behind SGI CANADA's product development. Our customers have unique and individual insurance needs, and we strive to meet those needs with comprehensive, affordable coverages.

Through continuing dialogue with our brokers, we find out what people need from their insurance, and we act on that information. For example, a meeting of SGI CANADA's Agents' Action Circle in 1991 produced an innovative new policy. One of our brokers reported that several of his clients work in their homes, but that our Home Pak didn't provide all of the coverage they need. Now, SGI CANADA offers Residential Business Insurance to the many people who need specialized coverage for their home businesses.

Also in Commercial Lines, we introduced the Commercial Pak extension endorsement, which can be added to any Commercial Pak policy to meet the customer's specific needs. The endorsement includes features such as inflation protection, coverage for newly-acquired property, and fire fighting expenses.

In 1991, we made Family Security coverage available to our Commercial Auto customers. This important coverage protects the policy holder and his or her family if any one of them is injured by an uninsured or underinsured motorist. We also raised the minimum liability limits on all Commercial Auto policies to $1 million. Both of these initiatives increase the security and protection that SGI CANADA offers to professional drivers.

In Personal Lines, 1991 product initiatives included the Special Seniors' Tenant Pak for people living in nursing homes, special care homes or seniors' complexes. We also revised our Agro Pak to keep up with the changing needs of our farming customers. For example, we extended coverage to automatically include all volunteer farm workers, such as children who come home to help with harvest. We also increased our liability and livestock coverage to provide even more comprehensive protection.

SGI pioneered the package policy concept in 1947. Today, SGI CANADA continues that innovative approach to total, "packaged" coverage. Our Auto Pak is a prime example. In 1991, SGI CANADA became the first Canadian insurance company to automatically include Non-Owned Driver's coverage with auto extension insurance. This coverage protects our insureds when they drive a vehicle they don't own. Other companies offer this as an option—if at all—but we've made it part of our Auto Pak.

SGI CANADA's Auto Pak includes many other important features, such as Family Security and Loss of Income coverage. It's a valuable complement to the basic automobile insurance provided by the Saskatchewan Auto Fund. In 1991, SGI CANADA sent personalized Auto Pak applications with vehicle registration renewals, to make people aware of the additional coverage available to them. As a result of this initiative, hundreds more Saskatchewan drivers now have the added security of SGI CANADA's Auto Pak.

▶ *Features such as Family Security coverage make SGI CANADA's Auto Pak unique in the industry, and our Home Pak is one of the most comprehensive policies on the market.*

Our brokers and customers tell us that affordable premiums are imperative. In 1991, we introduced a discount for homes up to five years old. We like to reward our claims-free customers with a discount on their premiums, so we also reduced the period that customers must be claims-free from five years to three years, to allow more people to qualify for the lower rate.

For an insurance product to be good, it has to meet our customers' needs and give them comprehensive, affordable coverage. That's why we design our products with our customers in mind, to protect the things that are most important to them.

Superior Claims Service

No matter how good a product looks on paper, the true test of an insurance policy occurs when the customer has a claim. At SGI CANADA, we back our products with excellent claims service.

In 1991, six major storms hit Regina, Moose Jaw, Estevan, Frontier, North Battleford, Strasbourg, Watrous, and the surrounding areas. Heavy rain, damaging winds and hail caused 4,100 claims at a cost of more than $5.6 million. But the cost wasn't our main concern: settling claims so people could get their lives back to normal was our first priority.

SGI CANADA adjusters from several claims centres gathered in the areas that were hardest-hit to help settle claims as quickly as possible. Often, that meant writing cheques on the spot so people could repair their homes and vehicles. Many of our adjusters worked overtime—even some retired SGI CANADA employees returned temporarily to help settle the thousands of claims we received.

◀ *SGI CANADA staff worked overtime to settle thousands of claims after several severe storms hit Saskatchewan during the summer of 1991.*

Improving our claims service is always a top priority at SGI CANADA. In 1991, we launched a pilot project to speed up claims service on windshield replacement. Instead of having to see an adjuster before getting their windshields replaced, customers can now call or fax the adjuster with an estimate, then go straight to the repair shop. This means same-day service for the customer, without an increase in cost to SGI CANADA.

How customers are treated when they have a claim often determines if they'll come back to SGI CANADA. To find out how we're doing, we survey people after they've settled a claim with us and ask them to rate the service they received. Based on these surveys, SGI CANADA achieved an overall customer satisfaction level of 91 per cent in 1991—that's a record for the company, and a genuine source of pride for our staff.

...severe ...storm blew down ...s of Regina's ...Flying Service, ...causing more than ...$1,000 damage. ...CANADA Adjuster ...Ken Pierson (right) ...make sure that owner ...Ken Pierson ...received excellent ...service and a fair ...settlement.

PROFESSIONAL BROKERS

SGI CANADA's insurance brokers are instrumental in our success. Nearly four hundred independent brokers across Saskatchewan deliver our products along with sound, professional advice. Together, we make sure that our customers get the coverage they need.

Our brokers' professional development is important to SGI CANADA. In 1991, we hosted our annual Convention, bringing together 1,000 brokers and staff for two days of informative seminars and camaraderie. At the Convention, we recognized 15 agencies celebrating 25, 35, 40 and 45 years of partnership with SGI CANADA—a testimony to our long-standing presence in the Saskatchewan marketplace.

◀ *Our Annual Agents' Convention brings together SGI CANADA brokers and staff from around the province.*

In 1991, our product representatives continued their popular seminars for new brokers, and for the first time held advanced Auto, Home and Agro seminars for more experienced brokers. As well, our Commercial Lines staff prepared the "Selling Guide for Commercial Business," a useful reference guide on commercial risks.

Many of our underwriting staff visited brokers' offices throughout the province in 1991. This first-hand experience helps to strengthen working relationships and encourage open communication.

Our commitment to effective communication between staff and brokers extends to the senior management level. In 1991, meetings of the Agents' Action Circle and President's Round Table brought together several brokers with SGI CANADA's president and executive for an exchange of ideas and information.

During one of these meetings, management and brokers discussed changes to the qualifications for 60-day account payment status. As a result of this discussion, we revised our requirements to more fairly reflect the difference in premium volume between urban and rural brokers. Beginning in 1992, more rural brokers will benefit from the extended account status. This suggestion by our brokers, followed up by our management team, is an excellent example of the teamwork that benefits all of us.

◀ *New broker seminars, conducted by Product Rep Larry Buhler, and our unique sharecost advertising program, administered by Manager Cliff Tornberg, are two of the services SGI CANADA offers its brokers.*

Working as a team, SGI CANADA and our brokers support each other in many ways. For example, SGI CANADA offers a performance bonus to brokers who improve their book of business during the year. In 1991, 259 of our brokers earned more than $1.4 million in bonuses from SGI CANADA. When our brokers' businesses are growing and profitable, so are we.

SGI CANADA takes an active role in the promotion of our brokers' services. Our unique sharecost advertising program provides our brokers with professional television, radio and print ads at half-cost. We help orchestrate special events such as agency grand openings, and we offer personalized marketing advice to help our brokers. We also subscribe to the Broker Identity Program, an awareness campaign that lets our insureds know that their broker is a caring, committed professional.

Together, SGI CANADA and our independent brokers give the coverage and service that our customers want and deserve.

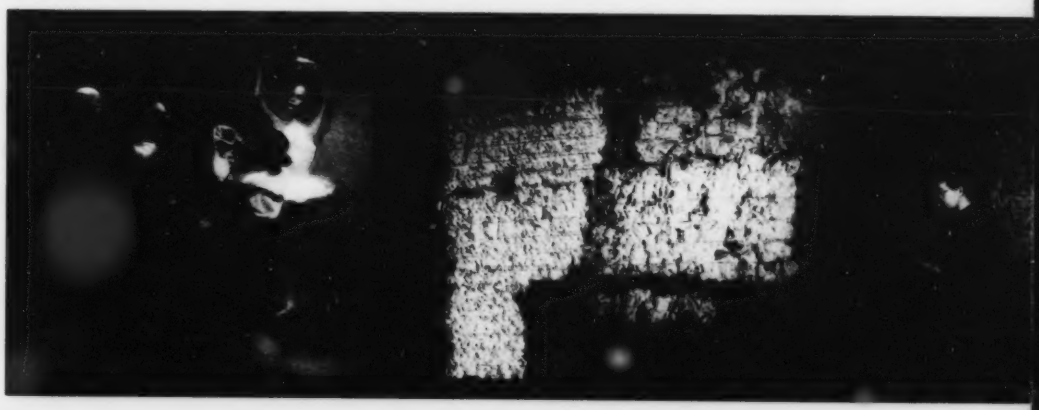
Community Spirit

SGI CANADA staff are actively involved in the communities we live and work in. As a corporation, we contribute to worthy programs and charitable groups that are meaningful to our customers, staff and brokers.

Through corporate donations, we support many health, safety, sports and cultural organizations. The Saskatchewan Roughriders, Junior Achievement, the Saskatchewan Health Care Association, and Crime Stoppers are just a few of the dozens of groups that SGI CANADA supported in 1991.

SGI CANADA is proud to be an Affirmative Action employer. In 1991, we attended the Saskatchewan Human Rights Commission's Affirmative Action hearings to report our progress in integrating under-represented groups into our workforce. We received the National Access Awareness Committee's Award in 1991 for our efforts in making our buildings accessible to disabled people.

As a responsible corporate citizen, SGI CANADA is concerned about the environment. Since starting our recycling program in 1990, our staff have reclaimed tons of paper. Our head office and branch offices are drop-off points for glass bottles, aluminum cans and telephone books destined for recycling. SGI CANADA's commitment to a healthy environment is ongoing, and we plan to expand our recycling activities in various communities in the future.



▶ *Supporting Saskatchewan arts organizations and participating in a company-wide recycling program are two ways SGI CANADA contributes to the communities we work in.*

Responding to the needs and concerns of our customers is important to SGI CANADA. In part, that means being sensitive to public issues such as the environment. But most importantly for us, it means listening to what people want and need in an insurance product. It means providing complete coverage for the things that are most valuable to our customers—their homes, belongings, vehicles, businesses and farms.

Offering the best in insurance products and services ... that has always been SGI CANADA's objective, and will continue to be our goal in the years to come.

Responsibility For Financial Statements

The financial statements have been prepared by the management of the corporation in conformity with accounting principles generally accepted in Canada. The financial statements have been examined and approved by the Board of Directors. The independent auditors have performed an audit of the corporation which has enabled them to express their opinion on the financial statements of the corporation. This opinion is shown on page 19.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the corporation. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

An Audit Committee, composed of members of the Board of Directors of Saskatchewan Government Insurance, meets periodically with financial officers of the corporation and the independent auditors. These independent auditors have free access to this Committee, without management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

Randy Heise
Vice President
Finance and Administration

AUDITORS' REPORT

February 7, 1992

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statements of financial position of Saskatchewan Government Insurance as at December 31, 1991 and 1990 and the statements of operations and retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1991 and 1990 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Coopers & Lybrand

CHARTERED ACCOUNTANTS
Regina, Saskatchewan

Statement of Financial Position

December 31	1991	1990
	(Thousands of $)	
Assets		
Cash and Investments Maturing Within One Year	$ 38,795	$ 48,642
Accounts Receivable	19,169	17,291
Deferred Policy Acquisition Costs	14,648	14,487
Deferred Charges (Note 9)	330	548
Long-Term Investments (Note 3)	137,232	119,458
Net Investment in Capital Lease (Note 4)	4,966	5,047
Property and Equipment (Note 5)	15,426	15,823
	$230,566	$221,296
Liabilities		
Accounts Payable and Accrued Charges	$ 5,219	$ 5,822
Dividend Payable	—	2,206
Premium Taxes Payable	4,894	4,832
Amounts Due to Reinsurers	4,726	4,064
Provision for Unpaid Claims (Note 6)	83,913	88,154
Unearned Premiums	60,292	59,218
	159,044	164,296
Capitalization		
Advances (Note 7)	56,000	57,000
Retained Earnings	15,522	—
	71,522	57,000
	$230,566	$221,296

(See accompanying notes)

Statement of Operations and Retained Earnings

Year Ended December 31	1991	1990
		(Thousands of $)
Premiums Written	$114,173	$111,702
Premiums Earned	$113,100	$110,423
Claims Incurred	66,334	68,387
Commissions	22,555	20,149
Premium Taxes	4,857	4,774
Administrative Expenses	18,614	20,678
Total Claims and Expenses	112,360	113,988
Underwriting Profit (Loss)	740	(3,565)
Investment Earnings (Note 10)	14,782	15,197
Net Profit for the Year	15,522	11,632
Retained Earnings:		
Balance Beginning of Year	—	21,074
Dividend	—	(32,706)
Balance End of Year	$ 15,522	$ —

(See accompanying notes)

Statement of Changes in Financial Position

Year Ended December 31	1991	1990
	(Thousands of $)	
Operating Activities		
Net Profit	$ 15,522	$ 11,632
Depreciation and Amortization	1,178	3,639
Realized (Gain) Loss on Disposal of Investments and Property and Equipment	(1,177)	306
Investment Write Down	630	807
	16,153	16,384
Increase in Deferred Policy Acquisition Costs	(161)	(427)
(Increase) Decrease in Accounts Receivable	(1,878)	2,290
(Increase) Decrease in Deferred Charges	218	(1)
Decrease in Provision for Unpaid Claims	(4,241)	(660)
Increase in Unearned Premiums	1,074	1,278
Increase (Decrease) in Accounts Payable and Accrued Charges	(603)	608
Increase in Premium Taxes Payable	62	49
Increase (Decrease) in Amounts Due to Reinsurers	662	(4)
Cash Provided By Operating Activities	11,286	19,517
Investing Activities		
Long-Term Investments		
—Purchases	(77,917)	(14,785)
—Proceeds on Sale	60,553	28,782
Capital Lease Repayment	81	73
Property and Equipment		
—Purchases	(810)	(1,382)
—Proceeds on Disposal	166	4,800
Cash Received From (Used For) Investing Activities	(17,927)	17,488
Financing Activities		
Repayment of Advance to Crown Investments Corporation	(1,000)	—
Dividend Paid	(2,206)	(30,500)
Cash Used For Financing Activities	(3,206)	(30,500)
Increase (Decrease) in Cash and Investments Maturing Within One Year	(9,847)	6,505
Cash and Investments Maturing Within One Year:		
Balance Beginning of Year	48,642	42,137
Balance End of Year	$ 38,795	$ 48,642

(See accompanying notes)

December 31, 1991

1. SIGNIFICANT ACCOUNTING POLICIES

The corporation's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Premiums

Premiums written are taken into income over the terms of the related policies. Premiums not yet taken into income represent the portion of the policy premiums relating to the unexpired term of each policy.

Deferred Policy Acquisition Costs

Premium taxes, commissions and certain underwriting and policy issuance costs are charged to expense over the terms of the insurance policies to which such costs relate. These policy acquisition costs are deferred only to the extent that anticipated future claims and expenses net of investment earnings do not exceed unearned premiums.

Investments

Bonds and debentures are recorded at amortized cost. Shares are recorded at cost. Investments are written down when there is a decline in value that is other than temporary.

Investment Earnings

Interest is recorded as income on the accrual basis. Dividends are recorded as income on the record date. Gains and losses realized on the disposal of investments are recognized in income on the date of sale.

Provision for Unpaid Claims

The provision for unpaid claims includes the estimated cost to the corporation of reported claims, an estimate based on the claims settlement experience of the corporation of the cost of claims incurred but not reported, and an estimate of adjustment expenses to be incurred on the settlement of these claims.

Capital Lease

Investment earnings related to the direct financing lease are recognized in a manner that produces a constant rate of return on the investment in the lease. The net investment in the lease is composed of net minimum lease payments less unearned finance income.

Property and Equipment

Fixed assets are recorded at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis, commencing in the year in which the assets are placed in service, over their estimated useful lives as follows:

Building	2⅓%
Computer Equipment	20–33⅓%
Office Equipment	20%

Foreign Currency Translation

Monetary items are adjusted to reflect the exchange rate in effect at the year-end. Share investments, revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year.

Administrative and Claims Adjusting Expenses

The corporation as administrator of the Saskatchewan Auto Fund provides certain services to both the corporation and the Fund. The administrative and claims adjusting expenses relating to these services are charged to the corporation and the Fund on the basis of specific allocations.

Direct administrative expenses are charged directly to the corporation's operations.

2. STATUS OF THE CORPORATION

Saskatchewan Government Insurance was established as a branch of the Public Service by the Government of Saskatchewan Insurance Act, 1944, reorganized pursuant to the Saskatchewan Government Insurance Act, 1946, and continues under the provisions of the Saskatchewan Government Insurance Act, 1980. Saskatchewan Government Insurance is a provincial crown corporation and as a result is not subject to federal or provincial income taxes.

The corporation conducts a property/casualty insurance business under the provisions of its Act and also acts as administrator of the Saskatchewan Auto Fund under the provisions of the Automobile Accident Insurance Act (Chapter A-35, Revised Statutes of Saskatchewan, 1978).

The accounts of Saskatchewan Government Insurance are included in the consolidated financial statements of the Crown Management Board of Saskatchewan, the financial holding company of the Province of Saskatchewan.

3. LONG-TERM INVESTMENTS

The components of the corporation's long-term investments are as follows:

(Thousands of $)

	1991		1990	
	Book Value	Market Value	Book Value	Market Value
Bonds and Debentures	$ 83,601	$ 89,179	$ 83,015	$ 80,761
Shares and Convertible Bonds	53,631	58,025	36,443	35,947
Total Long-Term Investments	$137,232	$147,204	$119,458	$116,708

4. NET INVESTMENT IN CAPITAL LEASE

The corporation, as lessor, has a 37 per cent interest in a lease agreement with a Saskatchewan Crown Corporation for a term of thirty years (nineteen years remaining) on property in Prince Albert, Saskatchewan. The lease transferred substantially all of the benefits and risks incident with the ownership of the property to the lessee.

The corporation's net investment in capital lease includes the following:

(Thousands of $)

	1991	1990
Total Minimum Lease Payments Receivable ($583,000 per year)	$11,227	$11,810
Unearned Income	(6,261)	(6,763)
Net Investment in Capital Lease	$ 4,966	$ 5,047

5. PROPERTY AND EQUIPMENT

The components of the corporation's investment in property and equipment, as well as the related accumulated depreciation, are as follows:

(Thousands of $)

	1991			1990
	Cost	Accum. Depr.	Net Book Value	Net Book Value
Land and Improvements	$ 912	$ —	$ 912	$ 912
Building	18,887	5,848	13,039	13,512
Computer and Office Equipment	4,809	3,334	1,475	1,399
Total	$24,608	$9,182	$15,426	$15,823

Depreciation for the year is $1,027,000 (1990—$3,544,000).

6. PROVISION FOR UNPAID CLAIMS

The provision for unpaid claims includes reserves for direct, ceded and assumed business. Although the corporation discontinued its practice of underwriting assumed reinsurance business in 1985, it remains financially responsible for claims run-off on assumed contracts.

The provision for unpaid claims, while believed to be adequate, is necessarily based on estimates and includes the following:

(Thousands of $)

	1991	1990
Direct	$64,849	$69,453
Ceded	(4,494)	(5,471)
Direct Net of Ceded	60,355	63,982
Assumed	23,558	24,172
Total Provision for Unpaid Claims	$83,913	$88,154

7. ADVANCES

Advances from the Crown Investments Corporation of Saskatchewan (CIC) are non-interest bearing and repayment is at the discretion of CIC.

8. CEDED REINSURANCE

The corporation underwrites and reinsures contracts of insurance which, in the main, limit the liability of the corporation to a maximum amount on any one loss of $250,000 (1990—$250,000) for dwelling and farm property, $250,000 (1990—$250,000) for unlicensed vehicles, $1,000,000 (1990—$1,000,000) for commercial property, $750,000, subject to filling an annual aggregate of $750,000 (1990—$750,000, subject to filling an annual aggregate of $750,000) for automobile and general liability and $1,000,000 (1990—$1,000,000) for boiler and machinery liability. This reinsurance does not, however, relieve the corporation of its primary obligation to its policyholders.

In 1991, ceded reinsurance premiums earned were $12,016,000 (1990—$11,831,000); commission recoveries were $1,645,000 (1990—$2,990,000); and claims incurred were $3,015,000 (1990—$3,060,000).

At year end, the corporation held letters of credit outstanding of $928,000 (1990—$964,000) and deposits of $208,000 (1990—$216,000) relating to reinsurance arrangements with unlicensed reinsurers.

9. SUPERANNUATION PLANS

The corporation has a defined benefit pension plan for certain of its employees which has been closed to new membership since 1980. Current service costs of this plan are charged to earnings on the basis of actuarial valuations, the most recent valuation being as of December 31, 1990.

Based on the December 31, 1990 actuarial valuation and a projection to December 31, 1991, the present value of accrued pension benefits attributed to services rendered and the value of pension fund assets is $29,717,000 (1990—$26,044,000) and $32,120,000 (1990—$29,192,000) respectively. The deferred charge for pension costs is $330,000 (1990—$548,000).

The corporation also has employees who are members of the Capital Pension Plan Inc. The corporation matches employee contributions to this defined contribution pension plan.

The 1991 pension expense for the two pension plans is $2,209,000 (1990—$1,974,000), including the amortization of the defined benefit plan past service surplus and plan amendments.

10. INVESTMENT EARNINGS

The components of investment earnings are as follows:

	(Thousands of $)	
	1991	1990
Interest and Dividends	$13,719	$15,753
Realized Gain (Loss) on Sale of Investments	1,191	(259)
Investment Write Down	(630)	(807)
Income from Capital Lease	502	510
Total Investment Earnings	$14,782	$15,197

11. RELATED PARTY TRANSACTIONS

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms. Other amounts due to (from) related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

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